

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK  
RATIONALIZATION SERVICE CHANGES, 2012

DOCKET No. N2012-1

**NOTICE OF UNITED STATES POSTAL SERVICE CONCERNING ERRATA  
TO THE SUPPLEMENTAL TESTIMONY OF WITNESS MARTIN [ERRATA]**  
(April 30, 2012)

The United States Postal Service hereby provides notice that it is filing errata to the supplemental testimony of witness Cheryl D. Martin (USPS-ST-2).

These changes are summarized below.

<u>Page(s)</u>	<u>Line(s)</u>	<u>Change</u>
3	23	"8.44" to "12.83"
4	14	"8.44" to "12.83"
5	4	At the end of the text in footnote 1, add "(The same methodology has been applied to estimate the percent reduction in plant-to-plant trips, <i>i.e.</i> , the total number of trips that are proposed to be eliminated in the rationalized network is divided by the total number of trips in the current network.)"

A complete, revised version of this testimony is attached. The version filed today is intended to supplant the version filed on April 16, 2012.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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April 30, 2012

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POSTAL REGULATORY COMMISSION  
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MAIL PROCESSING NETWORK RATIONALIZATION SERVICE CHANGES, 2012	DOCKET No. N2012-1
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**SUPPLEMENTAL TESTIMONY OF  
CHERYL D. MARTIN  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE  
(USPS-ST-2)**

**TABLE OF CONTENTS**

<b>PURPOSE OF SUPPLEMENTAL TESTIMONY .....</b>	<b>1</b>
<b>I. OVERVIEW .....</b>	<b>2</b>
<b>II. SURFACE TRANSPORTATION RATIONALIZATION.....</b>	<b>3</b>
<b>A. Estimated Reduction in Plant-to-Plant Trips.....</b>	<b>3</b>
<b>B. Estimated Reduction in Plant-to-Post Office Operating Miles...</b>	<b>4</b>

**PURPOSE OF SUPPLEMENTAL TESTIMONY**

The purpose of this supplemental testimony is to update the estimated reductions in transportation activity anticipated from the service standard changes under review in this docket and corresponding changes in the mail processing network presented in my direct testimony (USPS-T-6), which was entered into evidence at page 1003 of Tr. Vol. 4 on March 22, 2012. My direct testimony assumed implementation of all of the proposed mail processing operational consolidations under consideration at the time of the filing of the Request in this docket on December 5, 2011. My supplemental testimony incorporates my direct testimony by reference and presents updated transportation reduction estimates based on the operational consolidation decisions announced on February 23, 2012.

I sponsor the following Library References, which provide foundational material associated with this supplemental testimony: USPS-LR-N2012-1/77 and USPS-LR-N2012-1/79.

1     **I.       OVERVIEW**

2           The estimated reductions in transportation activity that were projected in  
3     my direct testimony (USPS-T-6) were based on subsets of routes in the Plant-to-  
4     Plant and Plant-to-Post Office networks. In my direct testimony, I explained that  
5     the Postal Service was conducting Area Mail Processing (AMP) reviews on  
6     selected mail processing facilities, and that each study would require its own  
7     evaluation of available transportation, how such transportation should be  
8     adjusted, and any consequent increases or decreases in transportation costs.

9           Since the filing of that testimony on December 5, 2011, the Postal Service  
10    has announced the results of AMP studies that contain additional information on  
11    the routes that are expected to support mail-processing facilities in the  
12    rationalized network. Data being evaluated in conjunction with a subset of  
13    studies available in early December 2011 informed my original estimates of the  
14    anticipated reductions in transportation activity associated with network  
15    rationalization. This supplemental testimony takes into account additional  
16    information contained in the numerous AMP decisions announced on February  
17    23, 2012. Accordingly, in the sections below, I have revised the estimated  
18    reductions in Plant-to-Plant trips and Plant-to-Post Office operating miles that are  
19    attributable to network rationalization. Additionally, I have revised the estimated  
20    number of Postal Vehicle Service (PVS) sites that will close when their  
21    associated Processing & Distribution Center (P&DC) is closed.

## 1    **II.      SURFACE TRANSPORTATION RATIONALIZATION**

2            The sections below provide updated estimates of the anticipated  
3    reductions in Plant-to-Plant trips and Plant-to Post Office operating miles due to  
4    network rationalization as well as the methodology used to produce those  
5    estimates.

### 6            **A.      Estimated Reduction in Plant-to-Plant Trips**

7            To update the estimated impact that network rationalization will have on  
8    the plant-to-plant transportation network, all routes in the current network were  
9    analyzed as candidates for elimination, based on whether: (1) the route could  
10   potentially be eliminated through the reallocation of volume from that route to  
11   another route with sufficient excess capacity, (2) the route would no longer be  
12   needed due to the deactivation of processing plants, and (3) the route exists  
13   solely to support our current service standards. This analysis was performed on  
14   all Inter-Area, Inter-PDC, and Inter-Cluster routes in the network, including the  
15   routes that were analyzed in my direct testimony. See USPS-T-6, at page 9,  
16   lines 11 through 23; USPS-LR-N2012-1/11. This analysis is consistent with the  
17   method employed in my direct testimony, except that instead of performing a top-  
18   down analysis of the routes to identify candidates for elimination, I used a  
19   bottom-up approach that incorporated feedback from each Area office  
20   concerning which routes should be considered candidates for elimination.

21           The results of my updated analysis are set forth in USPS-LR-N2012-1/77.  
22    Based on these results, I estimate that the number of plant-to-plant trips in the  
23    current network could be reduced by approximately 12.83 percent through

1 network rationalization. Although this estimated percentage reduction is smaller  
2 than the percentage reduction in plant-to-plant trips set forth in my direct  
3 testimony (24.71 percent), I attribute this difference to a tendency among Area  
4 transportation managers implementing significant operational consolidations to  
5 cautiously schedule an excess level of highway transportation for future  
6 operations to ensure that sufficient transportation capacity is available in the  
7 event of unanticipated challenges during the initial phase of implementation. The  
8 perception that the costs for additional contract transportation are less than the  
9 costs of augmenting mail processing operations may also incent Area officials to  
10 consider adding additional transportation capacity before considering additional  
11 mail processing equipment to process additional mail volume. In my experience,  
12 Post Implementation Reviews generally show that post-consolidation  
13 transportation needs are less than the needs that were projected in AMP studies.  
14 As a result, I believe that the 12.83 reduction in plant-to-plant trips may be a  
15 conservative estimate of the actual percentage reduction that can be realized  
16 through network rationalization.

17 **B. Estimated Reduction in Plant-to-Post Office Operating Miles**

18 I have updated my original estimate of the impact that network  
19 rationalization would have on the current Plant-to-Post Office transportation  
20 network. In so doing, I applied the methodology described in my response to  
21 Question 6(a) of Presiding Officer's Information Request number 4 to all of the  
22 plant-to-Post Office routes that were identified in AMP studies that were  
23 approved by the Postal Service and that were announced on February 23, 2012.



1 The results of my analysis are set forth in LR-N2012-1/77. Based on this  
2 analysis, I estimate that the number of plant-to-Post Office operating miles in the  
3 rationalized network could be reduced by approximately 3.18 percent through  
4 rationalization of the network.<sup>1</sup> In my view, the difference between this estimated  
5 percentage reduction in plant-to-Post Office operating miles and the percentage  
6 set forth in my direct testimony (13.68 percent) is due to the same factors  
7 discussed above on page 4, lines 1 through 16. As a result, I believe that the  
8 3.18 percent reduction in plant-to-Post Office operating miles may be a  
9 conservative estimate of the actual percentage reduction that can be realized  
10 through network rationalization.

11 Additionally, my direct testimony identified 40 PVS sites that would close  
12 when their associated P&DC is closed. Based on the February 23, consolidation  
13 decisions, I have revised that figure to 32 PVS sites. The list of sites appears in  
14 library reference USPS-LR-N2012-1/79.

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<sup>1</sup> In my direct testimony, the estimated 13.68 percent reduction in plant-to-Post Office operating miles represents an average of the percent reductions in operating miles derived from each of the initial fourteen AMP studies that I reviewed. This approach was taken because few data (relative to the entire plant-to-Post Office network) were available on December 5, 2011. If the same calculation is performed on the AMP data available today, the result is an estimated 7.70 percent reduction in operating miles. See USPS-LR-N2012-1/77, "Plant-to-Post Office Spreadsheet," "Average" tab.

However, now that data from all the approved AMP studies are available, I believe that the estimated percent reduction in operating miles should reflect (a) the total number of operating miles that are proposed to be eliminated in the rationalized network divided by (b) the total number of operating miles in the current network. See USPS-LR-N2012-1/77, "Plant-to-Post Office Spreadsheet," "Actual" tab. This calculation yields an estimated 3.18 percent reduction in operating miles. (The same methodology has been applied to estimate the percent reduction in plant-to-plant trips, *i.e.*, the total number of trips that are proposed to be eliminated in the rationalized network is divided by the total number of trips in the current network.)